

Public Document Pack

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Thursday, 25 January 2018 in Main Conference Room, Service Headquarters, Fulwood commencing at 10.00 am.

IF YOU HAVE ANY QUERIES REGARDING THE AGENDA PAPERS OR REQUIRE ANY FURTHER INFORMATION PLEASE INITIALLY CONTACT DIANE BROOKS ON TELEPHONE NUMBER PRESTON (01772) 866720 AND SHE WILL BE PLEASED TO ASSIST.

AGENDA

PART 1 (open to press and public)

Chairman's Announcement – Openness of Local Government Bodies Regulations 2014

Any persons present at the meeting may photograph, film or record the proceedings, during the public part of the agenda. Any member of the press and public who objects to being photographed, filmed or recorded should let it be known to the Chairman who will then instruct that those persons are not photographed, filmed or recorded.

1. APOLOGIES FOR ABSENCE
2. DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

Members are asked to consider any pecuniary and non-pecuniary interests they may have to disclose to the meeting in relation to matters under consideration on the agenda.
3. MINUTES OF THE PREVIOUS MEETING (Pages 1 - 6)
4. EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2016/17 (Pages 7 - 20)
5. EXTERNAL AUDIT - AUDIT PROGRESS REPORT AND SECTOR UPDATE (Pages 21 - 38)
6. INTERNAL AUDIT MONITORING REPORT (Pages 39 - 48)
7. CONSULTATION ON 2018/19 SCALES OF AUDIT FEES (Pages 49 - 50)
8. RISK MANAGEMENT (Pages 51 - 70)
9. CONTRACT STANDING ORDERS (Pages 71 - 72)
10. NATIONAL FRAUD INITIATIVE (Pages 73 - 74)

11. DATE OF NEXT MEETING

The next scheduled meeting of the Committee has been agreed for 10:00 hours on 22 March 2018 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

Further meetings are: scheduled for 24 July 2018 and 27 September 2018.

12. URGENT BUSINESS

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

13. EXCLUSION OF PRESS AND PUBLIC

The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act 1972, they consider that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act 1972, indicated under the heading to the item.

PART 2

14. URGENT BUSINESS (PART 2)

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Thursday, 28 September 2017, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

J Shedwick (Chairman)
S Clarke
S Holgate
A Kay
M Khan
D Smith

Officers

C Kenny, Chief Fire Officer (LFRS)
K Mattinson, Director of Corporate Services (LFRS)
J Bowden, Head of Finance (LFRS)
D Brooks, Principal Member Services Officer (LFRS)

In attendance

K Murray, External Audit, Grant Thornton
J Taylor, Internal Audit, Lancashire County Council

10/17 APOLOGIES FOR ABSENCE

Apologies for absence were received from County Councillor Matthew Tomlinson.

11/17 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

12/17 MINUTES OF THE PREVIOUS MEETING

In the absence of the Chairman, the Vice-Chairman, County Councillor John Shedwick took the chair.

RESOLVED: - That the Minutes of the last meeting held on 22 June 2017 be confirmed as a correct record and signed by the Chairman.

13/17 EXTERNAL AUDIT - LETTER OF REPRESENTATION

As part of the year-end process the Authority was required to sign a letter of representation. This letter confirmed that the Authority had disclosed all relevant information in its accounts for the year in question and that all issues which should have been brought to the attention of the auditors had been.

The Treasurer confirmed that there were no issues that should have been brought to the attention of the auditors but which had not been. The Treasurer confirmed he would sign the letter at the meeting, as there were no further issues which he felt required disclosure.

RESOLVED: - That the Audit Committee authorised the signing of the letter by the Chairman of the Committee.

14/17 EXTERNAL AUDIT - AUDIT FINDINGS REPORT

Under the statutory Code of Audit Practice for Local Government bodies our external auditors, Grant Thornton were required to issue a report to those charged with governance summarising the conclusions from their audit work. Members considered this report which was presented by Karen Murray.

The main issues within the Audit Findings Report were as follows:-

- Audit opinion - the auditor would give an unqualified opinion on the financial statement;
- Value for money - the auditors concluded that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The auditors had identified one issue which needed to be highlighted in terms of the treatment of the Authority's share of North West Fire Control, as set out on page 14 of the Audit Findings Report. This principle would need to be adopted for future year's accounts.

The auditor had also identified three adjustments which were required in terms of misclassifications and disclosure changes as set out on page 19 of the Audit Finding Report, and these changes had been incorporated into the final statement of accounts.

In addition it was considered best practice to present the amended statement of accounts. This was originally approved by Resources Committee in June 2017 and the revised accounts including the audit amendments were re-presented to the Resources Committee on 27 September 2017 for re-approval.

Following the audit a number of changes had been made to the accounts, as set out in the report now presented and considered by Members.

RESOLVED: - That the Committee:-

- i) Noted the matters raised in the report;
- ii) Noted the unqualified opinion on the financial statements;
- iii) Noted the value for money conclusion;
- iv) Noted the amended Statement of Accounts.

15/17 INTERNAL AUDIT MONITORING REPORT

The Internal Auditors produced a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to September 2017 was presented by Judith Taylor (Senior Auditor for Lancashire County Council).

Progress to date in relation to the Plan was provided. Of the 80 total planned days; 5 days had been completed to date.

In addition a further 7 days had been spent during the first quarter of the financial year in completing and finalising reviews outstanding from 2016/17 audit plan. The findings from these reviews were reported in the 2016/17 Annual Report that was presented to the Audit Committee at its last meeting in June.

RESOLVED: - That the Committee noted the report.

16/17 RISK MANAGEMENT UPDATE

The report highlighted action taken in respect of corporate risk since the last Audit Committee meeting.

The latest review of the corporate risk register had identified 3 new risks which warranted inclusion on the corporate risk register: -

Risk number 21 was concerned with risk of rapid external fire spread in high rise premises resulting in a major incident.

The Director of Corporate Services advised that all high rise residential premises had been audited, in conjunction with relevant Local Authority. Only one building had been found with ACM cladding panel. This was on a 6-storey section of building (top section), which was being managed locally to limit the risk this presented. An on-going risk based inspection plan had been agreed based on an order of priority as detailed in the report. A number of community reassurance visits had been undertaken and a temporary amendment had been made to the pre-determined attendance to high rise to include an Ariel Ladder Platform.

Risk number 22 was concerned with the failure to maximise collaborative opportunities presented by Policing and Crime Act.

It was noted that there were well-developed relationships with Lancashire Constabulary and North West Ambulance Service with regular meetings held to discuss issues and opportunities. Collaboration was already taking place i.e. Emergency Medical Response, Gaining Entry, Missing Persons, Air Support (Drone) and Site Sharing etc.

Risk number 23 was concerned with a lack of leadership capacity impacting on delivery of services.

It was noted that the Workforce Plan had been agreed and implemented; this identified our challenges and workforce profile. The Recruitment Policy was in place; this reviewed the success of recruitment campaigns against the knowledge and skills gap.

In addition there were a number of systems in place: appraisal, leadership development programmes, coaching and mentoring. Action Learning Sets had been introduced and Leadership Conferences had been delivered in April 2017 with a second planned for October 2017. A Promotion Board was also in place with clear development and promotion pathways established for operational staff.

An updated corporate risk register was considered by Members. Of the existing risks 1 had been reviewed:-

Operational staff do not have the required skills to operate safely at an incident with the potential to result in firefighter injuries or fatalities

It was noted that recruitment of wholetime and RDS staff was underway against national standards. Initial and continuation training was based on National Occupational Standards, National Occupational Guidance and Training Specifications. Role competencies had been identified and recorded with appropriate re-training frequencies identified. Refresher training had been commissioned, devised and delivered to cover a wide range of skills. An operational assurance policy was in place through a dedicated team that continually assessed operational readiness. Such learning resulted in a range of actions and thus constant evolution / improvement in safety and effectiveness. Given the level of work involved it was proposed the risk be increased to 9.

In addition, the Director of Corporate Services advised that the previously discharged risk of 'insufficient staffing resources due to industrial action to deal with operational demand and fulfil statutory responsibilities' was being monitored; should the need to put this risk onto the register arise, agreement would be sought with the Chairman and Vice-Chairman of the Committee.

RESOLVED: - That the Audit Committee noted the actions taken and endorsed the revised corporate risk register.

17/17 CONSULTATION ON AUDITOR APPOINTMENT FROM 2018/19

The Director of Corporate Services advised that following a national procurement exercise undertaken, Public Sector Audit Appointments (PSAA) had consulted with relevant bodies on the proposed audit appointment for future years.

PSAA was proposing to appoint Grant Thornton (UK) LLP to audit the accounts of Lancashire Combined Fire Authority for five years from 2018/19. The appointment would start on 1 April 2018.

Should the Authority wish to make representations on this appointment it had until 22 September 2017 to do so. Following consultation with the Chairman and Vice-Chairman of the Audit Committee it was agreed that the Authority would not make any such representations therefore a response had been submitted on that basis.

RESOLVED: - That the Audit Committee noted the report.

18/17 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Thursday 25 January 2018 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

A further meeting date was noted for 22 March 2018 and dates agreed for 24 July 2018 and 27 September 2018.

LFRS HQ
Fulwood

M NOLAN
Clerk to CFA

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LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 25 January 2018

EXTERNAL AUDIT – ANNUAL AUDIT LETTER 2016/17 (Appendix 1 refers)

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804.

Executive Summary

The External Auditors Annual Audit Letter provides an overall assessment of the Authority's performance.

The final agreed letter, submitted by Grant Thornton, is attached as appendix 1.

Decision Required

The Committee is asked to consider noting/endorsing the content of the report as presented.

Information

The Annual Audit Letter represents an overall assessment of our performance, drawing on the auditor's findings and conclusions from their work, which has previously been reported to the Audit Committees.

The audit conclusions included in the letter are consistent with those reported in the Audit Findings report, as follows:

- We gave an unqualified opinion on the Authority's accounts on 28 September 2017, in advance of the 30 September 2017 national deadline.
- We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Financial Implications

The fees at £30,739 were in line with those previously reported and with the agreed annual budget.

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

The Annual Audit Letter is a public document, which gives an independent assessment of the Authorities performance. As such any failure to meet adequate levels of performance may undermine public confidence, exposing the Authority to a wide range of risks, and leading to potential interventions.

Local Government (Access to Information) Act 1985

List of Background Papers

| Paper | Date | Contact |
|--|------|---------|
| None | | |
| Reason for inclusion in Part II, if appropriate: | | |

The Annual Audit Letter for Lancashire Combined Fire Authority

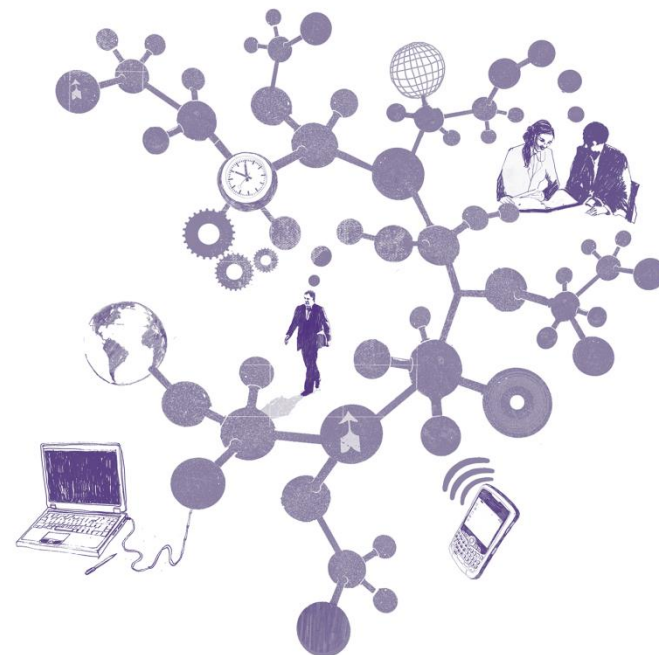
Year ended 31 March 2017

October 2017

Karen Murray
Director

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Appendices

A Reports issued and fees

Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Lancashire Combined Fire Authority (the Authority) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Authority and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Authority's Audit Committee (as those charged with governance) in our Audit Findings Report on 28 September 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Authority's financial statements (section two)
- assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Authority's financial statements on 28 September 2017.

Value for money conclusion

We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 28 September 2017.

Certificate

We certified that we had completed the audit of the accounts of Lancashire Combined Fire Authority in accordance with the requirements of the Code on 28 September 2017.

Working with the Authority

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Authority's staff.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Authority's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Authority's accounts to be £928k, which is 2% of the Authority's gross revenue expenditure. We used this benchmark, as in our view, users of the Authority's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for related party transactions and senior officer remuneration.

We set a lower threshold of £46k, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Authority accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Treasurer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Authority and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Authority's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|---|---|
| <p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Lancashire Combined Fire Authority, we have determined the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Lancashire Combined Fire Authority, mean that all forms of fraud are seen as unacceptable. | <p>Our audit work did not identify any issues in respect of revenue recognition.</p> |
| <p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p> | <p>We have</p> <ul style="list-style-type: none"> • reviewed your entity level controls • reviewed your journal entry processes and selected unusual journal entries for testing back to supporting documentation • reviewed accounting estimates, judgements and decisions made by management | <p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.</p> |

Audit of the accounts

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|--|---|---|
| <p>Valuation of property, plant and equipment</p> <p>The Authority revalues its assets on a rolling basis over a five year period. The Code requires that the Authority ensures that the carrying value at the balance sheet date is not materially different from the current value. Management have undertaken a desktop valuation of those assets not revalued in the year.</p> <p>This represents a significant estimate by management in the financial statements.</p> | <p>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Reviewed management's processes and assumptions for the calculation of the estimate. • Reviewed the competence, expertise and objectivity of any management experts used. • Reviewed the instructions issued to valuation experts and the scope of their work • Confirmed the basis on which the valuation was carried out, challenging the key assumptions. • Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding. • Tested a sample of revaluations made during the year to ensure they were input correctly into the Authority's asset register • Evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves these were not materially different to current value. | <p>Our audit work did not identify any significant issues in relation to the risk identified.</p> |
| <p>Valuation of pension net liability</p> <p>The Authority's pension net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p> | <p>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and were sufficient to mitigate the risk of material misstatement. • Reviewed the competence, expertise and objectivity of the actuary who carried out the pension valuation. • Gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary. | <p>Our audit work did not identify any significant issues in relation to the risk identified.</p> |

Audit of the accounts

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|--|--|---|
| <p>Employee remuneration Payroll expenditure represents a significant percentage of the Authority's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Employee remuneration accruals understated (Remuneration expenses not correct) | <p>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken a walkthrough of the key controls to assess whether those controls were operating in line with our documented understanding undertaken a trend analysis and risk identification for monthly payroll costs to confirm no unusual transactions reviewed the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces | <p>Our audit work did not identify any significant issues in relation to the risk identified.</p> |
| <p>Operating expenditure Non-pay expenditure represents a significant percentage of the Authority's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non-pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Creditors understated or not recorded in the correct period (Operating expenses understated) | <p>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were operating in line with our documented understanding Reviewed managements processes to raise accruals and to ensure the accruals recognised are materially complete Tested a sample of creditor balances and accruals recognised in the year end balance sheet Tested cash payments made after the year end to identify potential unrecorded liabilities and gain assurance over the completeness of the payables balance in the accounts | <p>Our audit work did not identify any significant issues in relation to the risk identified.</p> |

Audit of the accounts

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|--|---|
| <p>Fire Pensions Benefits Payable</p> <p>Benefits improperly computed / Claims liability understated</p> | <p>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • compared the total pensioner payroll with comparative figures and rationalised by reference to the changes to the expected value (e.g. pension increases, new pensioners, deaths). • Substantively tested a sample of pension benefit payments made in the year. | <p>Our audit work did not identify any significant issues in relation to the risk identified.</p> |
| <p>Changes to the presentation of local authority financial statements</p> <p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p> | <p>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements • reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure • reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) • tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES • tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger • tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements • reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. | <p>Our audit work did not identify any significant issues in relation to the risk identified.</p> |

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Authority's accounts on 28 September 2017, in advance of the 30 September 2017 national deadline.

The Authority made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Authority to the Authority's Audit Committee on 28 September 2017.

Annual Governance Statement and Narrative Report

We are required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Authority and with our knowledge of the Authority.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment. This identified no significant risks for us to concentrate our work. We updated our review of your arrangements to ensure that there were no additional risks identified.

Overall VfM conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

| | Proposed fee £ | Actual fees £ | 2015/16 fees £ |
|-----------------------------------|----------------------|------------------|-------------------|
| Statutory audit of Authority | 30,739 | 30,739 | 30,739 |
| Total fees (excluding VAT) | 30,739 | 30,739 | 30,739 |

Non- audit services

- no non-audit or audited related services have been undertaken for the Authority

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Reports issued

| Report | Date issued |
|-----------------------|----------------|
| Audit Plan | March 2017 |
| Audit Findings Report | September 2017 |
| Annual Audit Letter | October 2017 |



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LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 25 January 2018

EXTERNAL AUDIT - AUDIT PROGRESS REPORT AND SECTOR UPDATE (Appendix 1 refers)

Contact for further information:

Keith Mattinson - Director of Corporate Services - Telephone 01772 866804.

Executive Summary

Attached as appendix 1 is an Audit Progress and Sector Update report produced by Grant Thornton, our external auditors

Recommendation

The Committee is asked to note and endorse the report

Information

Attached as Appendix 1 is an Audit Progress and Sector Update report produced by the Grant Thornton, our external auditors.

The report sets out the following:-

- Progress at January 2018 – in relation to the financial statements and value for money conclusion for 2017/18;
- Audit Deliverables – which sets out what the auditors will do and their planned completion date;
- Sector Update – which provides an up to date summary of emerging national issues and developments to support the Authority/Committee. This covers areas which may have an impact on the organisation, the wider NHS and the public sector as a whole, they are not specific issues relating to this Authority. Members may wish to consider if they would like further information on any of these.

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

None

Local Government (Access to Information) Act 1985**List of Background Papers**

| Paper | Date | Contact |
|--|------|---------|
| None | | |
| Reason for inclusion in Part II, if appropriate: | | |

Audit Progress Report and Sector Update

LANCASHIRE COMBINED FIRE AUTHORITY
Year ending 31 March 2018

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Introduction



Karen Murray

Engagement Lead

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Fire and Rescue, and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)



Richard Tembo

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Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at 12 January 2018

Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2017/18 financial statements.

We have commenced our interim audit in January 2018. Our interim fieldwork visit will include:

- Updated review of the Authority's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report any findings from the interim audit to you in our Progress Report at the 22 March 2018 Audit committee meeting.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We discuss our plan and timetable with officers.

The final accounts audit is due to begin on 4 June 2018 with findings reported to you in the Audit Findings Report at the 24 July 2018 Audit Committee meeting.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will make our initial risk assessment to determine our approach in February 2018 and report this to you in our Progress Report at the 22 March Audit committee

We will report our work in the Audit Findings Report and give our Value For Money Conclusion at the 24 July 2018 Audit Committee meeting.

Other areas

Meetings

We met with your Director of Corporate Resources and Head of Finance on 30 November 2017 to discuss the Authority's strategic priorities and plans. We will continue to have quarterly liaison meetings with them to discuss emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. The Authority's Head of Finance has been invited to our Local Government Accountant's Workshop on 25 January 2018.

Audit Deliverables

| 2017/18 Deliverables | Planned Date | Status |
|---|--------------|-------------|
| Fee Letter Confirming audit fee for 2017/18. | April 2017 | Complete |
| Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2017-18 financial statements. | March 2018 | Not yet due |
| Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report. | March 2018 | Not yet due |
| Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee. | July 2018 | Not yet due |
| Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion. | July 2018 | Not yet due |
| Annual Audit Letter This letter communicates the key issues arising from our work. | August 2018 | Not yet due |

Sector Update

Local government finances are at a tipping point. Local Government bodies are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



Grant Thornton Publication

Challenge question:

Is your Authority considering the risks and governance issues for its commercialisation agenda?



The Board: creating and protecting value

In all sectors, boards are increasingly coming under pressure from both the market and regulators to improve their effectiveness and accountability. This makes business sense given a strong governance culture in the boardroom produces better results, promotes good behaviour within the organisation and drives an organisation's purpose.

Grant Thornton's new report 'The Board: creating and protecting value' is a cross- sector review of board effectiveness, based on a survey of executives and non-executives from a range of organisations including charities, housing associations, universities, local government, private companies and publically listed companies.

It considers the challenges faced by boards, ways in which they can operate more effectively; and how to strike the right balance between value protection and value creation.

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance.

This powerful tool provides a framework with which to evaluate how well an organisation is performing in balance of skills and understanding of roles; and responsibilities between the executive and Board. It helps align risk (value protection) and opportunity (value creation) with overarching strategy and purpose.

[Click on the report cover to download and read more](#)

| Value creation | |
|---|---|
| Directorship How well do the non-executives: <ul style="list-style-type: none"> design, debate and decide the organisation's future? inspire and guide the executive to realise the organisation's purpose? provide support to the executives? | Leadership How well do the executives: <ul style="list-style-type: none"> Make decisions aligned with realising the organisation's purpose? Inspire and motivate employees to realise the organisation's purpose? model the values of the organisation? |
| Assurance How well do the non-executives: <ul style="list-style-type: none"> monitor financial, compliance and business indicators? ensure appropriate processes are in place to manage risk? have oversight of the executive team? | Management How well do the executives: <ul style="list-style-type: none"> set goals, creating plans and allocating resources to achieve them? effectively assign roles and responsibilities? Focus on day-to-day tasks and resources needed to deliver strategic aims? |
| Value protection | |

Source: The Board: Creating and protecting value, 2017, Grant Thornton



Grant Thornton Publication

Challenge question:

Can you use the key questions raised in the report to consider the effectiveness of your own governing body?

Code of Practice on Local Authority Accounting and IFRS 9 and IFRS 15

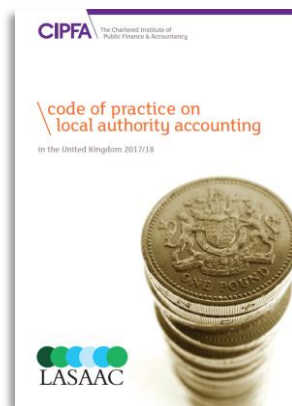
CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18 which specifies the principles and practices of accounting required to prepare a Statement of Accounts.

The main changes to the Code include:

- amendments to section 2.2 for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 to introduce key reporting principles for the Narrative Report
- updates to section 3.4 covering the presentation of financial statements to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 affecting the Housing Revenue Account, to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)
- amendments to section 6.5 relating to the Accounting and Reporting by Pension Funds, to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Alongside the Code, CIPFA has also published Guidance Notes for Practitioners and a Disclosure Checklist for 2017/18 Accounts.

These publications may be obtained from CIPFA and are available [here](#).



CIPFA/LASAAC has issued a companion publication 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'.

Looking further ahead, this sets out the changes to the 2018/19 Code in respect of [IFRS 9 Financial Instruments](#) and [IFRS 15 Revenue from Contracts with Customers](#). It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

IFRS 15 establishes a new comprehensive framework for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.

An Early Guide for Local Authority Practitioners covering IFRS 9 Financial Instruments is to be published in December 2017.

CIPFA Publication

Challenge question:

Is your **Head of Finance** aware of the changes affecting the preparation of the financial statements for 2017/18 and the forthcoming changes to financial instruments and revenue recognition.



Overview of General Data Protection Regulation (GDPR)

What is it?

GDPR is the most significant regulatory data protection development in 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that might reasonably be used to identify a living individual, either directly or indirectly. Various unique identifiers (including online cookies and IP addresses) will likely fall within the scope of personal data

What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

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Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

Notifications and Rights

- Organisations must notify relevant incidents to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Claims and Fines

- Privacy regulators can impose penalties of up to €1 million on public sector organisations, for the most serious violations
- Individuals and representative organisations may be able to seek compensation for infringements of data protection rights

GDPR

Challenge question:

Can your authority effectively erase Personally Identifiable Data?

Have you appointed a Data Protection Officer?

How will your authority ensure citizens' data isn't duplicated across different information siloes without their knowledge?

CIPFA publications

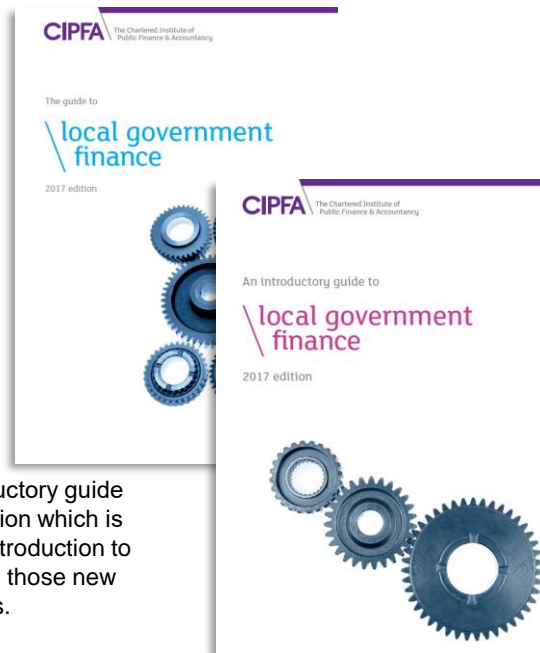
CIPFA have published 'The guide to local government finance' 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management.

The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies including:

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- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.

CIPFA have also published 'An introductory guide to local government finance' 2017 edition which is aimed at those requiring more of an introduction to local government finance for example, those new to the sector or non finance specialists.



CIPFA have updated their guidance on the key considerations in setting up and managing a pooled budget in the publication 'Pooled Budgets and the Better Care Fund: A Practical Guide for Local Authorities and Health Bodies' (2017 Edition)

Although pooled budgets have operated widely across health and social care for a long time, they were brought into prominence by the Better Care Fund, introduced in 2015–16.

The aim of CIPFA's guidance is to define the basic principles of financial management, governance and accountability that partners in budget pooling arrangements or, indeed, other forms of partnership working, should follow, and to consider the relevant accounting issues.

The guide provides practical tools such as a checklist of matters to consider, an example of how to decide which agency should lead the arrangement, a model scheme of delegation to boards. The guide considers the background to budget pooling, including the purpose of pooling, the basics of partnership arrangements, and some other options available to health and social care organisations pursuing similar objectives. It goes on to consider specific issues arising from pooling: managing a pooled budget, corporate governance, financial management, audit and assurance, and VAT. These matters then feed into an appendix on accounting issues.

CIPFA Publication

Challenge question:

Are these publications of use to you?



DCLG Consultation

DCLG are currently consulting with Local Authorities and other interested parties on proposed changes to the prudential framework of capital finance.

The statutory framework for the Prudential System is set out in Chapter I of the Local Government Act 2003 and in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The framework includes four statutory codes. Alongside CIPFA's Prudential Code and Treasury Management Code, the DCLG is responsible for Statutory Guidance on both Local Authority Investments and on the Minimum Revenue Provision.

Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The government has also monitored changes in the practices used for calculating Minimum Revenue Provision.

As a result the Department for Communities and Local Government is seeking views on proposals to update the guidance on Local Authorities Investments and on Minimum Revenue Provision for full implementation in 2018/19. This consultation closes on 22 December 2017 and may be accessed [here](#).

Local Authorities Investment Code

The Government recognises that there is great variation in the objectives and nature of local authority investment, including local economic regeneration projects, however it believes that local authorities need to be better at explaining "why" not just "what" they are doing with their investment activity.

That means that the sector needs to demonstrate more transparency and openness and to make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

To this end a number of proposals are made including requiring local authorities to:

- prepare a Capital Strategy which includes clear disclosure of the Investment Strategy
- disclose the contribution that investment activities make to their core functions
- use indicators to assess total risk exposure
- apply the principles of prioritising security and liquidity over yield for investment in non financial assets (in the same way that they are required to do for financial assets)
- disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income
- disclose additional information where authorities borrow to invest in revenue generating investments
- Disclose steps to ensure expertise of key officer and councillors involved in the decision making process.

Minimum Revenue Provision Guidance

Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements. Given the changes in current practice and recent interest, the Government feels that it is time to look into updating the guidance as part of the more general update of the statutory codes comprising the prudential system. Four proposals are made:

- change to the definition of the basis of MRP
- confirmation that a charge to the revenue account cannot be a credit
- confirmation that a change to the MRP methodology would not generate an overpayment of MRP calculated retrospectively
- Introduces maximum useful economic lives for MRP calculations based on asset life

DCLG consultation

Challenge question:

- Is your **Chief Finance Officer** planning to respond to the consultation?



Local Authority 2016/17 Revenue Expenditure and Financing

DCLG has produced a summary of Local Authorities' 2016/17 final outturn for revenue spending and financing. It notes that local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure.

The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.6 billion for all local authorities in England in 2016-17. This was 1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. The 2016-17 financial year was the first year where local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.75 billion (2.2%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.4 billion of this increase is due to the Greater London Authority.

The full report is available [here](#).

Did you know....

This data set and many others are included in CFO Insights.

CFO Insights, is the Grant Thornton and CIPFA online analysis tool.

It gives those aspiring to improve the financial position of their organisation, instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

CFO Insights

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/through-a-local-lens-solace-summit-2017/>

<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

<http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

<http://www.cfoinsights.co.uk/>

CIPFA website links

<http://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

<http://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/p/pooled-budgets-and-the-better-care-fund-a-practical-guide-for-local-authorities-and-health-bodies-2017-edition>

DCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2016-to-2017-final-outturn>



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LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 25 January 2018

INTERNAL AUDIT MONITORING REPORT (Appendix 1 refers)

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804.

Executive Summary

The attached report sets out the current position in respect of the internal audit plan for 2017/18.

Decision Required

The Committee is asked to note/endorse the report.

Information

The internal auditors produce a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to January 2018 is attached as Appendix 1, and will be presented by the Head of Internal Audit.

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

None

Environmental Impact

None

Local Government (Access to Information) Act 1985

List of Background Papers

| Paper | <u>Date</u> | Contact |
|--|-------------|---------|
| None | | |
| Reason for inclusion in Part II, if appropriate: | | |

Lancashire Combined Fire Authority
Internal Audit Service
Monitoring report for the period ended
12 January 2018

1 Purpose of this report

- 1.1 The Annual Audit Plan for 2017/18 was approved by the Audit Committee in March 2017. This report details the progress to date in undertaking the agreed coverage.
- 1.2 This report covers the period 1 April 2017 to 12 January 2018.

Acknowledgements

- 1.3 We are grateful for the assistance that has been provided to us by all the staff contacted in the course of our work.

2 Key issues and themes arising during the period

- 2.1 No significant issues have been identified from the assurance work completed to date.

3 Internal audit work undertaken

- 3.1 Work carried out during the period 1 April 2017 to 12 January 2018 was in accordance with the agreed audit plan.
- 3.2 To date, 54 days have been spent this financial year on completion of the 2017/18 plan, equating to 68% of the total planned audit activity of 80 days.

Governance and business effectiveness:

(i) Governance and risk management arrangements

- 3.3 An overall opinion on risk management and governance arrangements forms part of the annual opinion of the Head of Internal Audit, which will be provided in the Annual Report for 2017/18 which will be presented to the June 2018 meeting of the Audit Committee.

Service delivery and support:

(i) Rota management

- 3.4 Our work commenced towards the end of November; fieldwork is now complete and our results are being compiled for management.

(ii) Training, learning and development

- 3.5 This work is scheduled for completion during quarter 4.

Business processes:

(i) Treasury management

- 3.6 Our audit was completed in November 2017 and we provided an opinion of full assurance.
- 3.7 Treasury management activity has been conducted in accordance with the approved treasury management strategy and the service level agreement in place between LCFA and LCC for the provision of treasury management services.

(ii) Accounts payable, Accounts receivable, General ledger

- 3.8 Our audit of each of these key financial systems was finalised in December 2017, and we were able to provide opinions of substantial, full and full assurance respectively. No significant control weaknesses were identified and a strong control environment continues to be maintained by the finance and procurement teams.
- 3.9 Financial Regulations and relevant policies are in place and up to date, and accessible for all staff to view. Access control is well maintained by the Head of Procurement and the Head of Finance. Furthermore, the monitoring of expenditure and the recovery of debts is appropriately carried out. These controls contribute significantly to mitigating risks and reducing errors.

(iii) Human resources (HR)/ payroll

- 3.10 Our audit has recently been completed and our report issued with an opinion of full assurance. A strong control environment continues to exist over HR and payroll processes, so as to ensure that valid appointments have been correctly established and the right amount is paid to individuals at the right time. Robust monitoring arrangements are additionally in place to prevent and detect any anomalies or errors that might arise.

(iv) Pensions administration

- 3.11 This work is scheduled for completion during quarter 4.

Follow up audit activity

- 3.12 Any agreed actions raised in 2016/17 in relation to our work on business processes have been followed up as part of this year's audit programme. In all cases we are satisfied that appropriate action has been taken by management to implement actions on a timely basis.
- 3.13 All remaining follow up audit activity is to be completed during quarter 4.

National Fraud Initiative

- 3.14 Good progress has been made in investigating the NFI data matches released in January 2017. No areas of concern have been identified in the cases that have been opened and closed to date.

Overall summary and assurance provided

- 3.15 We have set out in the table on the following pages a brief summary of the position of each review during the period. This sets out the planned and actual days we have spent on each review to date.
- 3.16 We have provided a summary of the assurance we are able to provide in relation to each system or operational area of your business where work has been finalised.

System adequacy: We define a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

System effectiveness: We define a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended.

- 3.17 The assurance we provide over any area of control falls into one of four categories and these are defined at Appendix 1.

4 External quality assessment

- 4.1 In November 2017 the Internal Audit Service was subject to an independent, objective validation by the Chartered Institute of Internal Auditors (CIIA) of its self-assessment against the Institute's International Professional Practice Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the CIIA. This external assessment included considering the Service's conformance to each of these sets of professional standards, benchmarking its activities against best practice and assessing the impact of internal audit on the county council and its external client organisations.
- 4.2 The IPPF includes the Definition of Internal Auditing, Core Principles, Code of Ethics and International Standards: there are 64 fundamental principles to achieve with 118 points of recommended practice. The PSIAS and LGAN add considerably more requirements to these.
- 4.3 The external assessment concluded that the Internal Audit Service fully meets nearly all the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the IPPF. This is described as "Generally Conforms" and means that the Internal Audit Service may state in our internal audit reports for all clients that our work "has been performed in accordance with the IPPF, PSIAS and LGAN".
- 4.4 The performance of the Internal Audit Service was benchmarked against a maturity model based on a wide range of UK and Irish internal audit functions and was assessed as 'good' in its reflection of the standards and its focus on performance, risk and adding value. It was assessed as 'satisfactory' in the efficiency of its operations and in its Quality Assurance and Improvement Programme, but 'needs improvement' in coordinating and maximising assurance with other assurance providers. A small number of actions have arisen for the Service from this review, which will be addressed over the coming months.

Use of this report

This report has been prepared solely for the use of Lancashire Combined Fire Authority and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

| Review area | Audit days | | | Assurance | | Comments | |
|---|------------|--------|-----------|-----------------------|---------------|--|--|
| | Planned | Actual | Variation | Adequacy | Effectiveness | | |
| Governance and business effectiveness | | | | | | | |
| Governance and risk management arrangements | 0 | 0 | 0 | - | - | An overall opinion on the adequacy and effectiveness of governance and risk management arrangements will be reported as part of the 2017/18 Annual Report of the Head of Internal Audit. | |
| Service delivery and support | | | | | | | |
| Training, learning and development | 10 | 0 | 10 | - | - | Work is scheduled for quarter 4. | |
| Rota management | 10 | 10 | 0 | - | - | Fieldwork has been completed and our results are currently being compiled. | |
| Business processes | | | | | | | |
| Accounts payable | 10 | 10 | 0 | ✓ | ✓ | Our final composite report covering each of these accounting systems was issued in December 2017. | |
| | | | | Substantial assurance | | | |
| Accounts receivable | 5 | 5 | 0 | ✓ | ✓ | Two medium and one low residual risk actions were agreed relating to: <ul style="list-style-type: none">• Revision of access permissions• Ensuring compliance with Contract Standing Orders• Reminding staff of the correct fees and charges information | |
| | | | | Full assurance | | | |
| General ledger | 5 | 5 | 0 | ✓ | ✓ | | |
| | | | | Full assurance | | | |
| HR and Payroll | 12 | 11 | 1 | ✓ | ✓ | | Our final report was issued in January 2018. No areas for improvement were noted. |
| | | | | Full assurance | | | |
| Treasury management | 5 | 5 | 0 | ✓ | ✓ | Our final report was issued in November 2017. No areas for improvement were noted. | |
| | | | | Full assurance | | | |

| Review area | Audit days | | | Assurance | | Comments |
|--|------------|-----------|-----------|-----------|---------------|--|
| | Planned | Actual | Variation | Adequacy | Effectiveness | |
| Pensions administration | 5 | 0 | 5 | - | - | Work is scheduled for late quarter 4. |
| Follow up audit activity | | | | | | |
| <ul style="list-style-type: none"> Absence management Tranman stores Tranman fleet Service Delivery Assurance Team | 6 | 0 | 6 | N/A | N/A | <p>Work is scheduled to start late quarter 4.</p> <p>We will obtain assurance from both management self-assessment and our own selective test checking, that controls have been introduced that appropriately mitigate the risks identified.</p> |
| Other components of the audit plan | | | | | | |
| Management activity | 10 | 7.5 | 2.5 | N/A | N/A | Work in the period has included production of the 2016/17 Annual Report, preparation of the periodic monitoring reports, and attendance at the meetings of the Audit Committee. |
| National Fraud Initiative | 2 | 0.5 | 1.5 | N/A | N/A | Time incurred relates to administrative support provided in relation to the National Fraud Initiative exercise and investigation of certain categories of data match. |
| Total days | 80 | 54 | 26 | | | |

Audit assurance levels

Appendix 1

The assurance we can provide over any area of control falls into one of four categories as follows:

Full assurance: there is a sound system of internal control which is designed to meet the service objectives and controls are being consistently applied.

Substantial assurance: there is a generally sound system of internal control, designed to meet the service objectives, and controls are generally being applied consistently. However some weakness in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.

Limited assurance: weaknesses in the design and/ or inconsistent application of controls put the achievement of the service objectives at risk.

No assurance: weaknesses in control and/ or consistent non-compliance with controls could result/ have resulted in failure to achieve the service objectives.

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LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 25 January 2018

CONSULTATION ON 2018/19 SCALES OF AUDIT FEES

Contact for further information:

Keith Mattinson - Director of Corporate Services - Telephone Number 01772 866804

Executive Summary

Public Sector Audit Appointments Limited (the successor to the Audit Commission) has produced a consultation document on proposed scale of audit fees for 2018/19. Following the recent procurement exercise these fees will reduce to £24k.

Recommendation

The Audit Committee is asked to note the consultation document as set out in the report.

Information

Public Sector Audit Appointments Limited (PSAA) is responsible under the Local Audit (Appointing Person) Regulations 2015 for setting the scale of fees for the audit of the accounts of principal local government and police bodies in England that have opted into the appointing person scheme.

PSAA is now consulting on the proposed scale of fees for 2018/19 audits. They propose that scale audit fees for 2018/19 should reduce by 23 per cent, compared to the fees applicable for 2017/18. This reduction is possible as a result of the favourable prices secured from audit firms in the recent audit services procurement. It follows a period from 2012/13 to 2017/18 in which scale fees reduced significantly by an aggregate of 55 per cent.

They hope to be able to maintain the reduction of 23 per cent in scale fees for the first three years of the appointing period, based on current assumptions about inflation and the amount of work auditors are required to undertake. They expect to be able to confirm this position when they review and update their assumptions and estimates each year, and consult on scale fees for the following year. They may be able to sustain the reduction for the full five years of the appointing period, but economic uncertainties mean it is not possible to be certain at this early stage, because they cannot be certain of the impact of inflation indexation provisions in the audit contracts on PSAA's costs.

The work that auditors will carry out on the 2018/19 accounts will be completed based on the requirements set out in the Local Audit and Accountability Act 2014 and under the Code of Audit Practice published by the National Audit Office.

Proposed 2018/19 scale fees for the Authority are £23,669, compared with the current fee of £30,739.

The consultation closed on 15 January 2018. Given the reduction in fees, and after consultation with the Chairman and Vice-Chairman, we have not submitted a formal response to the document.

Financial Implications

The anticipated fee is reflected in our draft budget for 2018/19.

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

None

Environmental Impact

None

Local Government (Access to Information) Act 1985

List of Background Papers

| Paper | Date | Contact |
|--|------|---------|
| | | |
| Reason for inclusion in Part II, if appropriate: | | |

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 25 January 2018

RISK MANAGEMENT

(Appendix 1 refers)

Contact for further information:

Keith Mattinson – Director of Corporate Services– telephone 01772 866804.

Executive Summary

The report highlights action taken in respect of corporate risk since these were last reported to the Audit Committee.

Decision Required

The Committee is asked to note the actions taken and endorse the revised corporate risk register.

Information

The latest review of the corporate risk register has identified one new risk which warrants inclusion on the corporate risk register:-

Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness.

Controls in Place

- Team established to undertake internal review;
- Draft inspection criteria produced by HMICFRS and being reviewed by team and departments.

Actions Recommended

- First draft of internal reviews being considered at end of January and action plan to address issues will be implemented;
- Need to manage expectations both internally and externally.

Risk Score

- High risk due to being in the first tranche, which is due to take place in Summer (dates not yet specified).

Existing Risks

Of the existing risks 8 have been reviewed, and an updated corporate risk register is attached as appendix 1, with changes summarised below:-

| | | Update since last meeting | Proposed Risk Score | |
|---|---|---|---------------------|--------|
| 1 | Insufficient resources due to poor funding settlement, inability to make required savings, additional financial pressures such as RDS pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget | No change, not due to report till 31/3/18 | 9 | Medium |
| 2 | Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service. | No change, not due to report till 30/6/18 | 9 | Medium |
| 3 | Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities | Previously discharged | | |
| 4 | Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in additional damage to property and increased risk to life. | Previously discharged | | |
| 5 | The increasing age profile of operational staff could adversely affect our ability to deliver effective emergency response. | Previously discharged | | |

| | | | | |
|---|--|--|---------------|--------|
| 6 | Operational staff do not have the required skills to operate safely at an incident with the potential to result in F/F injuries or fatalities. | No change, not due to report till 30/6/18 | 9 | Medium |
| 7 | Failure of key ICT systems resulting in disruption to services | No change, not due to report till 30/6/18 | 9 | Medium |
| 8 | Loss of corporate reputation through negative publicity | Social media training forms part of middle manager development programme and is delivered to individuals and teams as required throughout the year. The policy and guidance will be reviewed to ensure it keeps pace with issues and trends. Updated media training to be offered to managers outside of middle manager development programme. Scanning and planning function helps anticipate and plan for specific reputational risks. GDPR compliant guidelines on use of personal data in the form of images to be issued to all staff. | 9 – no change | Medium |
| 9 | Retention and recruitment of RDS staff impacts on RDS appliance availability | RDS Strengthening & Improving programme in place for 2 years. RDS Pay review implemented during 2017 after Union consultation. Retained Support Officers implemented and now established across the county, focus on supporting staff through their developmental stages and improving efficiency and effectiveness of recruitment work. A new Recruitment Vehicle has been established and is being piloted across the Service with good levels of utilisation and improved visibility reported by those staff engaged in recruitment activity. On-going activity around RDS recruitment campaigns is starting to show benefits with successful | Reduce to 9 | Medium |

| | | | | |
|----|---|---|---------------|--------|
| | | completion of recruits courses in 2017 now running at between 85-95% (was at 50% in 2015). For those who fail the RDS course the RSO's maintain contact and developmental work with a view to attendance on subsequent courses. | | |
| 10 | Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances | Previously discharged | | |
| 11 | Lack of compliance with legislation resulting in prosecution or compliance order | Previously discharged | | |
| 12 | Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc. | Following the independent audit of Health and Safety and Environmental Management Systems carried out as part of our OHSAS 18001 and ISO 14001 certification process non-conformances and opportunities for improvement are collated together into the SHE Audit Improvement Action Plan and monitored to conclusion through the Health, Safety and Environment Advisory Group. | 9 – no change | Medium |
| 13 | Lack of effective Information management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information | The Information Management Strategy has developed from the original policies, a 'road map' of work needed to take the Service forward has been agreed. Information Management related projects are progressing as scheduled with governance from Programme Board and DCFO as Sponsor. Compliance with the Data Protection Act (DPA) and the forthcoming General Data Protection Regulation (GDPR) in May 2018 remains a priority. This workstream will be supported by the recent appointment of our Knowledge Information Officer as DPA and GDPR specialist and | 9 – no change | Medium |

| | | | | |
|----|--|---|---------------|--------|
| | | commissioning of an external review in order to secure an impartial review of our preparedness. | | |
| 14 | Delayed mobilisation, impacting on service delivery | Work is ongoing on a regional footprint to ensure that the data utilised is accurate, therefore leading to the most effective' time in attendance' for all appliances. The initial review of anticipated time in attendance when compared to the actual time in attendance is providing evidence that further changes are not required. Evaluation work is ongoing and it is anticipated that this workstream will close in early 2018. | 9 – no change | Medium |
| 15 | High levels of staff absence due to outbreak of ebola. | Previously discharged | | |
| 16 | Lack of clarity on future of FRS, leading to inertia | Previously discharged | | |
| 17 | Failure of ESMCP to deliver a viable communication facility. | Work is ongoing at both a service and regional level in order to prepare for transition to ESMCP. This is focussed upon coverage, transition planning, device support requirements and evaluation of Home Office (HO) documentation such as the vehicle mounted device specifications. The Programme has reported to the Parliamentary Advisory Committee and prioritised work with both key contractors, these being EE and Motorola. At this time LFRS is managing the project with business as usual resources following the secondment of our Project Manager to HO, a replacement has been identified and will start in role in April 2018. Significant progress cannot be achieved until after the HO issue the revised National Transition Plan which is expected by April 2018. | 9 – no change | Medium |

| | | | | |
|----|---|---|--------------|--------|
| 18 | Inability to maintain service provision in spate conditions | The Lancaster accommodation side (not appliance bay etc.) has been built with flood defences and other mitigation works as per flood risk assessment. Other works include elevating all Station Mobilisation Cabinets that are in Flood risk areas. It is proposed to discharge this risk | Reduce to 6 | Low |
| 19 | Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT department, and an inability of staff to keep pace with new development that are implemented | No change, not due to report till 31/3/18 | 12 | Medium |
| 20 | Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective command function at large incidents | Trials of the updated software upon the live system identified a number of errors. Therefore the updates were removed and the previous version of the Vector software remains in use and fit for purpose. Development work to fix the issues is ongoing whilst evaluations of a replacement product are scheduled for January 2018. | Remains at 9 | Medium |
| 21 | Risk of rapid external fire spread in high rise premise resulting in a major incident | No change, not due to report till 30/9/18 | 9 | Medium |
| 22 | Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017 | No change, not due to report till 30/9/18 | 9 | Medium |
| 23 | Lack of leadership capacity impacting on delivery of services | No change, not due to report till 30/9/18 | 9 | Medium |

It is worth noting that an updated National Risk Register has been published by the Cabinet Office. This will be reviewed by the Lancashire Resilience Forum, of which we are a partner, with any relevant risk being reported to the Audit Committee in due course.

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

The improvement in risk management arrangements should result in reduced business risk

Local Government (Access to Information) Act 1985**List of Background Papers**

| Paper | Date | Contact |
|--|------|---------|
| None | | |
| Reason for inclusion in Part II, if appropriate: | | |

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CORPORATE RISK REGISTER

Jan 18

| KEY RISKS | | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|-----------|--|---|------------|--------|---------------|--|------------|---------|------------|---------------|
| 1 | Insufficient resources due to poor funding settlement, inability to make required savings, additional financial pressures such as RDS pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget. | <p>The Government has confirmed that the multi-year settlement offers have been agreed with all single purpose fire and rescue authorities. Hence, barring exceptional circumstances, and subject to the normal statutory consultation process for the local government finance settlement, the Government expects these amounts to be presented to Parliament each year. However there still remains some uncertainty surrounding the changes to the Business Rates Retention Scheme and the impact of Brexit.</p> <p>The final Local Government Finance Settlement 2017/18 confirmed a funding reduction of £2.3m in 17/18 and £0.9m and £0.4m over the following two years.</p> <p>Based on current budget estimates we will be faced with a funding gap of up to £1.2m in 19/20 (assuming council tax is increased by 2% in future years).</p> <p>The Authority will continue to review opportunities for further savings, with the next ECR due in 17/18.</p> <p>The Authority holds sufficient reserves to enable it to smooth out the impact if funding reductions and meet the financial challenges in the medium term.</p> | 3 | 3 | 9 | Continue to monitor position and review implications arising from Brexit | 31/03/2018 | DoCS | DoCS | Corp Serv |
| 2 | <p>Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service.</p> | <p>Premises based risks are assessed using the ORA process and paperwork. These are then categorised as level 1, 2, or 3 risk and documented accordingly.</p> <p>RIEF process is in place for sharing risk information The Service now has an ability through its RADAR product to store and record/ amend Cat 2 & 3 risk information.</p> <p>Premises risks categorised as level 2 risk have a hazard statement on the mobilising system. The PORIS programme went live on the 1/4/15, as per the project plan. This now gives the Service a fully compliant system against the principles outlined in the CFRA PORIS guidance.</p> <p>All known high risk premises are recorded on the system.</p> | 3 | 3 | 9 | <p>86 plans still require further work. Since the last update the new form and training have been developed. The training will be completed by mid-July following which all new 7(2)(d) plans will be created using the new format. SDMs have received training to ensure that they can quality assure the plans prior to them being published. The Operational Assurance Team will recommence auditing of existing 7(2)(d) plans, starting with the Level 5s in Q2.</p> | 30/06/2018 | HoSD | DoSD | Serv Delivery |

CORPORATE RISK REGISTER

Jan 18

| KEY RISKS | | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|-----------|--|--|------------|--------|---------------|---------------------|---------|---------|------------|-------------|
| 3 | Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities. | LFRS has a separate contingency plan in place that is specific to industrial action. This plan has been utilised throughout the current period of industrial action. Whilst overall levels of cover have been marginally reduced our resilience arrangements have ensured that we have been able to maintain our first pump attendance standards and ensured the same level of professional operational effectiveness throughout each of the periods of industrial action. Appropriate refresher training has been provided. There are 13 & 16 agreements in place with other NW FRSs. Regular dialogue takes place with key staff and representative bodies. In December the FBU announced that further industrial action has been put on hold until June 2017, pending the outcome of the employment tribunals relating to the modifications to the pensions scheme. As such it is proposed that the risk is discharged from the corporate risk register, until such time as the potential for further industrial action arises, i.e. June 2017. | 1 | 4 | 4 | Discharged | | | | |
| 4 | Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in additional damage to property and increased risk to life. | The Service commissions, adopts, systematically inspects and repairs mains fed fire fighting hydrants across the County. We maintain operational plans that display the location of available hydrants and open water supplies. Accurate hydrant information now provided to FES. Hydrant inspections moved to a risk based programme. New SSI Hydrant Manager update - Central system (within FES) is now up and running with current information being available on appliance MDT's. Hydrant tech's now moved over to Toughbook's for hydrant management and reporting of defects. We have Strategic Hydrants (those with a flow rate of above 1,500 litres per minute), then Risk Category 1, 2 and 3. Strategic are tested annually, Risk 1 annually, Risk 2 every two years, and Risk 3 every three years. Defects are repaired either in-house by the Hydrant Technicians, or reported to United Utilities (Strategic being marked urgent). Strategic Hydrants are always flow tested and this is recorded on the hydrant asset in SSI. Other hydrants are dry tested Increased use of HVP for larger incidents. | 2 | 3 | 6 | Discharged | | | | |

CORPORATE RISK REGISTER

Jan 18

| KEY RISKS | | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|-----------|--|---|------------|--------|---------------|--|------------|---------|------------|---------------|
| 5 | The increasing age profile of operational staff could adversely affect our ability to deliver effective emergency response. | Fitness Assessments introduced and included as part of the Crew Training as of 1st April 14. Remedial action to ensure that acceptable levels of fitness are developed and maintained. Provision of facilities for physical exercise and training on operational stations. Currently staff are timetabled to take a fitness test, are subject to health monitoring and managers can refer staff to OHU if they have concerns. The Service provides a physiotherapy service, critical incident debriefing and counselling if needed. | 3 | 2 | 6 | Discharged | | | | |
| 6 | Operational staff do not have the required skills to operate safely at an incident with the potential to result in F/F injuries or fatalities. | Recruitment of Wholetime and RDS staff is undertaken against national standards. Initial and Continuation training delivery is based on National Occupational Standards (NOS), National Operational Guidance (NOG) and Training Specifications. Role related competencies have been identified and recorded within the PDR Pro system with appropriate retraining frequencies identified. Initial and Refresher training delivered to cover a wide range of specialist skills. Particularly risk Critical areas such as Breathing Apparatus are centrally assessed to ensure uniformity. An Operational Assurance policy is in place delivered through a dedicated Operational Assurance Team that continually assesses operational readiness through station visits, incident / exercise monitoring and debriefing. The team publishes a quarterly performance report to promote staff awareness of key operational performance issues. As well as internal learning sources, the team receives National Operational Learning (NOL) in relation to nationwide incidents, Rule 43 Letters and Joint Operational Learning from other blue light Services and Resilience Forum Partners. Such learning results in a range of actions including REC1 safety bulletins, changes to operational policy and training content (both courses and e-learning) and thus constant evolution/improvement in safety and effectiveness. A dedicated Incident Command Training team has been established recognising the vital importance of this skill to safe and effective operations. Retained Support Officers have been appointed and their responsibilities include recruitment and training. The Service continues to invest in training props to ensure realistic hot fire training conditions. | 3 | 3 | 9 | Embed new arrangements. Monitor effectiveness of Operational Assurance Performance Report in disseminating information | 31/03/2018 | HoTOR | DoSD | Serv Delivery |

CORPORATE RISK REGISTER

Jan 18

| KEY RISKS | | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|-----------|---|--|------------|--------|---------------|--|------------|---------|------------|----------------------|
| 7 | Failure of key ICT systems resulting in disruption to services. | Separate BCP plans developed, including backup and recovery procedures, desktop exercise completed. Asset replacement policy in place, regularly reviewed. IT Firewall to prevent inappropriate access, moisture detection loop installed in SHQ plant room to identify any early threat of flooding Secondary ICT site constructed at STC to provide enhanced resilience, implementation of Active Directory to enhance security and control of user access, improved virus protection. Strategy to control use of USB devices implemented. Patch and update policy place to ensure servers and workstations are up to date with latest security developments. Wide Area Network (WAN) to all administrative and operations site. New Storage Area Network (SAN) to replicate all essential servers and data to the disaster recovery site at STC. Installed resilient link from STC to County Hall in order to maintain LCC/OCL supplied services in the event of a failure at SHQ or the link to County and also have extended the network to include the new control facility in Warrington. | 3 | 3 | 9 | We will be further developing NWFC as part of the WAN replacement this year, in order to make use of the intrinsic resilience built into the comm's and the building there, as a possible alternative to STC. It would also add further geographical separation to the sites and additional working space for us in the event of an incident | 30/06/2018 | HoICT | HoICT | Strategy & Planning |
| 8 | Loss of corporate reputation through negative publicity. | Emergency communication plan and toolkit covers all aspects of risk including business continuity issues, emergencies and broader reputational risk, and fulfils requirements of the Lancashire Resilience Forum emergency communications plan. Plan regularly tested, including exercises. Effective reactive press office and proactive media activity to build positive reputation including on-call arrangements for out-of-hours cover. Media training updated in December 2017 and forms part of middle manager development programme. Communication plans for all corporate projects include internal communication to ensure staff are well informed to reduce risk of misinformation. Corporate use of social media is embedded in communication plans with policy and guidance in place. Social media training forms part of middle manager development programme and is delivered to individuals and teams as required throughout the year. Scanning and planning function helps anticipate and plan for specific reputational risks. | 3 | 3 | 9 | Social media policy and guidance requires review to ensure it keeps pace with issues and trends. Updated media training to be offered to managers outside of middle manager development programme. GDPR compliant guidelines on use of personal data in the form of images to be issued to all staff. | 31/12/2018 | HoCC | HoCC | People & Development |

CORPORATE RISK REGISTER

Jan 18

| KEY RISKS | | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|-----------|---|--|------------|--------|---------------|---|------------|---------|------------|---------------|
| 9 | Retention and recruitment of RDS staff impacts on RDS appliance availability. | RDS recruitment and retention working group established. Increased RDS basic recruits course population from 12 to 24. Quicker access to BA course on completion of recruit training. TOR support throughout the RDS probationary period. Retained salary scheme introduced and reviewed regularly. The service allows shorter RDS contracts to improve appliance availability. Encourages dual contract staff to contribute to the RDS. RDS availability targets now reduced to 95%. Proactive recruitment by SDM's. Joint working between HR and service delivery to enhance current recruitment processes. RDS Strengthening & Improving programme in place for 2 years now with the focus on supporting staff through their developmental stages and improving efficiency and effectiveness of recruitment work. A new Recruitment Vehicle has been established and its being piloted across the Service with good levels of utilisation and improved visibility reported by those staff engaged in recruitment activity. RSO activity around both development and recruitment are paying off with improved levels of support being given across all required skill sets to those in the Service and those looking to join us. | 3 | 3 | 9 | RDS Pay review implemented during 2017 after Union consultation. Retained Support Officers implemented and now established across the county and the benefits of these roles starting to show through in the distance travelled amongst firefighters in the development stages of their careers. RSO's also focusing upon strengthening Incident Command skills amongst RDS staff to improve competency as well as their sense of feeling valued. On-going activity around RDS recruitment campaigns is starting to show benefits with successful completion of recruits courses in 2017 now running at between 85-95% (was at 50% in 2015). For those who fail the RDS course the RSO's maintain contact and developmental work with a view to attendance on subsequent courses. | 31/12/2018 | HoSD | HoSD | Serv Delivery |
| 10 | Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances. | A mechanism of workforce planning has now been agreed and this will be reviewed on annual basis. As part of the development of the workforce plan a review of retirement profile is considered which is the main reason for turnover for those staff on grey book terms and conditions, this information is used to plan recruitment and enables us to plan effectively ensuring enough staff. Further to the turnover last year, an internal recruitment campaign and associated recruitment resulted in recruitment to 27 posts. A further recruitment campaign is being conducted for 2017/18 which will be completed by mid-May. Our approach to training and organisational development ensures that staff have the necessary ability, skills and training in order to able to undertake the job role. In terms of managing the risks associated with over establishment, all posts are checked against the post book prior to advertising. Where a post is not established it needs to go through specific authorisation and establishment process which ensures that we control the number of posts we recruit. | 2 | 3 | 6 | Discharged | | | | |

CORPORATE RISK REGISTER

Jan 18

| KEY RISKS | | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|-----------|--|--|------------|--------|---------------|--|------------|----------------|------------|----------------------|
| 11 | Lack of compliance with legislation resulting in prosecution or compliance order. | Clerk of Authority reviews all Committee reports for legality and advises CFA. Clerk and Solicitor review new legislation. Government notify of all new requirements Horizon scanning. | 2 | 2 | 4 | Discharged | | | | |
| 12 | Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc. | Health and Safety Management System (HSMS) in place. HSA3 – workplace inspection programme. Internal Audit Framework (replace with SHE Annual Review and Station Audit Programme). HSMS developed and re-certificated to OHSAS 18001 H&S standard. SHE department plan to develop, maintain and continuously improve the HSMS. Publication of risk information – GRA's, service orders etc. External audit and scrutiny through VCA External Auditors, Audit and review arrangements in place through SHE Department audit programme. Health, Safety and Environment Advisory Group monitor performance. | 3 | 3 | 9 | Following the independent audit of Health and Safety and Environmental Management Systems carried out as part of our OHSAS 18001 and ISO 14001 certification process non-conformances and opportunities for improvement are collated together into the SHE Audit Improvement Action Plan and monitored to conclusion through the Health, Safety and Environment Advisory Group. | 31/12/2018 | HoSHE | HoSHE | People & Development |
| 13 | Lack of effective Information management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information. | A revised structure to deliver Information Management has been implemented. Nominated Data Protection and Freedom of Information Lead Officers to ensure legal obligations met. All freedom of information requests considered by Exec Board. Performance indicators reported on a regular basis. Location Hub managed centrally allow greater integration of data. performance management software(CORVU) implemented. Data encryption in place. | 3 | 3 | 9 | Information Management related projects are progressing as scheduled with governance from Programme Board and DCFO as Sponsor. Compliance with the Data Protection Act (DPA) and the forthcoming General Data Protection Regulation (GDPR) in May 2018 remains a priority. This workstream will be supported by the recent appointment of our Knowledge Information Officer as DPA and GDPR specialist and commissioning of an external review in order to secure an impartial review of our preparedness. | 31/12/2018 | HoServ Develop | DoSP | Strategy & Planning |

CORPORATE RISK REGISTER

Jan 18

| KEY RISKS | | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|-----------|--|---|------------|--------|---------------|---|------------|----------------|------------|---------------------|
| 14 | Delayed mobilisation, impacting on service delivery. | System uses AVLS to locate the nearest available pump, based on anticipated 'run time'. 2014 saw the implementation of a new Global ITN road speed setting developed from historical evidence provided by Cheshire FRS. This implementation along with changes to Station geographical locations, the removal of road restrictions (imposed on the ITN by the developers) and the development of new response plans has seen an improvement in mobilising with appliances arriving with greater accuracy between the proposed and actual run times. Restrictions have been imposed on the system to ensure non critical incidents are attended by the host station whilst preventing a lengthy run time and/or a slow response time. This restriction ensures both the spread of resources is maintain and the continued use of RDS whilst preventing Whole time appliances being taken out of higher risk areas, this also reduces the need for standby/closing in moves. | 3 | 3 | 9 | Work is ongoing on a regional footprint to ensure that the data utilised is accurate, therefore leading to the most effective 'time in attendance' for all appliances. The initial review of anticipated time in attendance when compared to the actual time in attendance is providing evidence that further changes are not required. Evaluation work is ongoing and it is anticipated that this workstream will close in early 2018. | 31/12/2018 | HoServ Develop | DoSP | Strategy & Planning |
| 15 | High levels of staff absence due to outbreak of Ebola. | On-going liaison with LCC Emergency Planning Dept and LRF. Separate BCP plans developed re large scale staff absence. Enhanced sickness and absence policy implemented. OHU department to provide advice to managers/staff. | 1 | 4 | 4 | Discharged | | | | |
| 16 | Lack of clarity on future of FRS, leading to inertia. | The Sir Ken Knight review highlighted a need to review governance arrangements relating to FRAs identified several potential governance models, regional, national, mergers, ambulance, police etc. responsibility for Fire Service has transferred from CLG to Home Office The Policing and Crime Bill (which is currently going through Parliament) introduces measures which require the police, fire and rescue, and ambulance services to collaborate with one another. As a minimum, the legislation requires PCCs to be represented on the relevant fire and rescue authority (FRA) (or its committees) with full voting rights, subject to the consent of the FRA. Alternatively, PCCs have the option of putting forward a business case which may include arrangements to take on responsibility for the governance of fire and rescue; or to become the single employer for fire and police, to deliver greater improvements through the integration of back office functions and maximise the benefits of workforce flexibility. As such future options now appear to be:- • remain as we are • move towards a PCC | 2 | 3 | 6 | Discharged | | | | |

CORPORATE RISK REGISTER

Jan 18

| KEY RISKS | | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|-----------|--|---|------------|--------|---------------|---|------------|----------------|------------|---------------------|
| 17 | Failure of ESMCP to deliver a viable communication facility. | Emergency Services Mobile Communication Programme (ESMCP) is a national project which will deliver a replacement communications and data service using 4G technology. The new broadband data services will replace the existing private mobile radio system provided by Airwave. Main contracts awarded to EE and Motorola for the network and network equipment respectively. Since the signing of the contract, there has been considerable work done by the suppliers, central programme team and emergency services in the regions. However there are still some areas that need to be resolved, and therefore the original go live for the North West (the first region go-live) September 2017, has moved on 6 months to April 2018. The current Airwave contract has been extended until 2019, in order to ensure that the roll out of the new system is complete before the existing contract ends. | 3 | 3 | 9 | Work is ongoing at both a service and regional level in order to prepare for transition to ESMCP. This is focussed upon coverage, transition planning, device support requirements and evaluation of Home Office (HO) documentation such as the vehicle mounted device specifications. The Programme has reported to the Parliamentary Advisory Committee and prioritised work with both key contractors, these being EE and Motorola. At this time LFRS is managing the project with business as usual resources following the secondment of our Project Manager to HO, a replacement has been identified and will start in role in April 2018. Significant progress cannot be achieved until after the HO issue the revised National Transition Plan which is expected by April 2018. | 31/12/2018 | HoServ Develop | DoSP | Strategy & Planning |

CORPORATE RISK REGISTER

Jan 18

| KEY RISKS | | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|-----------|---|---|------------|--------|---------------|--|------------|---------|------------|---------------------|
| 18 | Inability to maintain service provision in spate conditions | Robust Business Continuity arrangements The published 2017-2022 LFRS Integrated Risk Management Plan recognises the impacts of wide area flooding (P2 increasing weather related events) as does our SOR for 2017. Ensure ESMCP specification recognises communication needs identified Training for LFRS FDOs regarding National Resilience Asset mobilisation and associated Command Support has been delivered, testing via an exercise to be completed LFRS vehicle fleet amended with multi-purpose (4x4) vehicles suitable for use in wide area flooding placed within the fleet, further purchases to follow in 2017/18 to extend the provision to 10. The enhancement of staff PPE with provision of flood suits and associated training is complete. The Lancaster accommodation side (not appliance bay etc.) has been built with flood defences and other mitigation works as per flood risk assessment. Other works include elevating all Station Mobilisation Cabinets that are in Flood risk areas. | 3 | 2 | 6 | Proposal to discharge | | | | |
| 19 | Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT department, and an inability of staff to keep pace with new development that are implemented | ICT Asset Mgt Plan in place, which identifies replacement timeframes for existing systems. ICT Strategy to include work stream to improve user experience. BPIP consider all new ICT systems/developments, as part of this consideration is given to capacity planning in terms of ICT resource and impact on end users CPB consider outcomes from BPIP | 4 | 3 | 12 | Additional ICT resources identified in 2016/17 budget, difficulties in recruiting additional ICT resources due to skill shortages have been resolved and recruitment is underway. Development of social networking site for staff to support each other and share knowledge of ICT systems is planned for 2017/18 | 31/03/2018 | HoICT | DoSP | Strategy & Planning |

CORPORATE RISK REGISTER

Jan 18

| KEY RISKS | | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|-----------|---|--|------------|--------|---------------|---|------------|----------------|------------|---------------------|
| 20 | Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective command function at large incidents | The CSS software application we currently run on our command units to manage the incident command system, has gone into administration and will no longer be able to support the software system. However we can still use on each Command unit, there will not be any support should this cease to operate. If that was the case we would need to utilise an alternative means of incident command, i.e. white board and pen. The Intellectual Property Rights (IPR) for the Vector software were bought at auction by Telent, who are the prime contractor for the NWFC ICT mobilising and communication. They have presented to say they will ensure that the original Vector developments as promised under the NWFC contract will be delivered. | 3 | 3 | 9 | Trials of the updated software upon the live system identified a number of errors. Therefore the updates were removed and the previous version of the Vector software remains in use and fit for purpose. Development work to fix the issues is ongoing whilst evaluations of a replacement product are scheduled for January 2018. | 31/12/2018 | HoServ Develop | DoSP | Strategy & Planning |
| 21 | Risk of rapid external fire spread in high rise premise resulting in a major incident | All high rise residential premises have been audited, in conjunction with relevant Local Authority. Only one building found with ACM cladding panel, this was on a 6 storey section of building (top section), which is being managed locally to limit the risk this presents. An on-going risk based inspection plan has been agreed based on following priority order: -High rise Purpose flats -High rise sleeping -High rise hospitals -High rise schools -High rise commercials -Hospital non- high rise -School non-high rise -other Community reassurance visits undertaken. Temporarily amend PDA to high rise to include an ALP | 2 | 5 | 10 | Complete inspection programme. Update relevant SSRIs. Review amendment to PDA in light of further information from the Grenfell Inquiry | 31/03/2018 | HoServ Develop | DoSP | Strategy & Planning |
| 22 | Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017 | Well-developed relationships with Lancashire Constabulary and NWAS Regular meetings to discuss issues/opportunities Collaboration already taking place i.e. EMR, Gaining Entry, Missing Persons, Air Support (Drone), Site Sharing etc. | 3 | 3 | 9 | Statement of Intent to be agreed between LFRS and Lancashire Constabulary Areas for further review to be agreed Further roll out of EMR is dependent upon outcome of national pay negotiations | 30/09/2018 | HoSD | DoSP | Strategy & Planning |

CORPORATE RISK REGISTER

Jan 18

| KEY RISKS | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|---|---|------------|--------|---------------|--|------------|---------|------------|----------------------|
| 23 Lack of leadership capacity impacting on delivery of services | Workforce plan agreed and implemented which clearly identifies our challenges and workforce profile Recruitment policy in place which reviews the success of recruitment campaigns against the knowledge and skills gap Appraisal system in place, to establish opportunities for development feedback, identification of training needs, development opportunities and talent Leadership Development programmes in place, including in house leadership development, ILM (Institute of Leadership and Management) ELP (Executive Leadership Programme), Leading into the Future (A cross sectoral leadership programme) etc. Coaching and mentoring system introduced Action Learning Sets introduced Leadership Conferences delivered April 2017 with the second being planned for October 2017 Promotion Board in place with clear development and promotion pathways established for operational staff | 3 | 3 | 9 | Deliver second leadership conference Deliver a leadership development programme to operational and support managers Develop and deliver an apprentice strategy | 30/09/2018 | HoHR | DoPD | People & Development |
| 24 Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness | Team established to undertake internal review, Draft inspection criteria produced by HMICFRS and being reviewed by team and departments | 3 | 3 | 9 | First draft of internal reviews being considered at end of January and action plan to address issues will be implemented Need to manage expectations both internally and externally | 30/06/2018 | HoSD | DoSP | Strategy & Planning |

HIGH

MEDIUM

MEDIUM/LOW

LOW

24

0

16

5

3

24

Scores

Likelihood

- 5 Certain, see next sheet
- 4 Very Likely, see next sheet
- 3 Likely, see next sheet
- 2 Unlikely, see next sheet
- 1 Rare, see next sheet

Impact

- Minor, see next sheet
- Noticeable, see next sheet
- Significant, see next sheet
- Critical, see next sheet
- Catastrophic, see next sheet

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LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 25 January 2018

CONTRACT STANDING ORDERS – PROPOSED AMENDMENTS

Contact for further information:

Keith Mattinson – Director of Corporate Services - Tel No. 01772 866804

Executive Summary

The Authority is a Contracting Authority for the purposes of the Public Contracts Regulations 2006 and is required to comply with the tendering and award of contracts procedures as set out in those regulations.

The EU has updated its threshold and on that basis we need to amend ours.

Recommendation

It is recommended that Members approve the amended Contract Standing Order thresholds as outlined in the report.

Information

It is proposed that these thresholds are amended for the following reasons to take account of changes to EU thresholds, which are reviewed on a regular basis. (A more comprehensive review of contract standing orders, financial regulations and scheme of delegation is planned for the last quarter of the financial year).

As such the proposed new thresholds are:

FOR ALL GOODS & SERVICES & WORKS

| | |
|-----------------------------|---|
| Under £5,000: | With the exception of public utility Services i.e. gas, electric and periodical payments goods services or works may be procured using an official order. |
| Between £5,001 and £25,000: | At least three (3) written request for quotations (RFQ) must be requested. Procurement Department can assist. |

FOR ALL GOODS & SERVICES

| | |
|--|---|
| Between £25,001 and £181,302 (Currently £164,176) | Procurement Department involvement is required and a formal Tender procedure must be followed with a minimum of three (3) invites. Use of the e-tendering system is recommended. |
| Over £181,302 (Currently £164,176): | Procurement Department involvement is required and EU Procurement Tender and Regulations must be followed with a minimum of five (5) invites. |

FOR ALL WORKS

| | |
|--|---|
| Between £25,001 and £4,551,413 (Currently £4,104.394) | Procurement Department involvement is required and a formal Tender procedure must be followed with a minimum of three (3) invites. Use of the e-tendering system is recommended. |
| Over £4,551,413 (Currently £4,104.394): | Procurement Department involvement is required and EU Procurement Tender and Regulations must be followed with a minimum of five (5) invites. |

Financial Implications

None directly arising from this report.

Business Risk

Contract standing orders form a key element of the control framework within which the Authority operates.

Environmental Impact

Health & Safety and Environmental considerations are taken into account during the tendering process - from the specification stage through to bid evaluation and contract award.

The Authority's Sustainable Procurement Policy provides specific guidance to Officers on this matter.

Equality & Diversity Implications

The Contract Standing Orders require every contract to include an obligation on the contractor to promote race equality and not unlawfully treat an individual or group less favourably on grounds of colour, race, nationality, ethnic origin, gender, sexual orientation, religion or belief.

The Authority also has an 'Equality & Diversity in Procurement' policy document which outlines the specific measures Officers should take to build Equality & Diversity issues in to all appropriate contract.

HR Implications

None identified

Local Government (Access to Information) Act 1985 List of Background Papers

| Paper | Date | Contact |
|--|------|---------|
| | | |
| Reason for inclusion in Part II, if appropriate: | | |

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 25 January 2018

NATIONAL FRAUD INITIATIVE (NFI) UPDATE

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804

Executive Summary

The National Fraud Initiative (NFI) is part of the statutory audit process for health, local government and the other public sector providers that the Cabinet Office is now responsible for (previously the Audit Commission). The NFI flags up inconsistent data within payroll, pensions and creditors which may indicate fraud, signalling the need for investigation, and provides a national picture of fraud as well as highlighting emerging fraud risks.

In respect of the Authority, 322 matches were released in 2017 for investigation, with 63 identified as requiring priority investigation. Following investigations no significant issues were identified.

Recommendation

The Committee is asked to note the report.

Information

Data matching involves comparing computer records held by one body against other computer records held by the same, or another body, to see how far they match. This is usually personal information. Computerised data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it may indicate that there is an inconsistency that requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out. In fact in reality, there is usually a logical reason why the vast majority of the matches have appeared in the results, but this is unknown until the checking process has been completed.

The data submitted by the Authority for matching relates to payroll, pensions and creditors.

The initial results for the data matches were made available via the Cabinet Office's secure website in January 2017 with further data matches being released as they became available.

Nominated contacts responsible for checking the matches have been established for each dataset, but the activity is predominantly undertaken within the Finance department and LCC Pensions Section with assistance from Human Resources and Procurement. The checking process commences as soon as the results are released and continues as new data matches are released.

The number of matches identified by the 2017 exercise relating directly to the Authority was as follows:

| Area | No. of Matches | No. of Priority Checks | Fraud | Errors | Issues Already Known | Recovery/Savings as a result of NFI £'000 |
|-----------|----------------|------------------------|-------|--------|----------------------|--|
| Pensions | 55 | 17 | - | - | 16 | - |
| Payroll | 48 | 5 | - | - | - | - |
| Creditors | 219 | 41 | - | 17 | - | - |
| Total | 322 | 63 | - | 17 | 16 | - |

Outcomes

All priority matches have been checked and concluded and the non-priority ones are ongoing with 115 'duplicate records by amount' currently outstanding. The results of the matches have revealed that there are valid reasons and explanations as to why the majority of matches have appeared on the reports. For example, on payroll the majority of the matches related to individuals who were employed as retained fire fighters who also held employment as whole time fire fighters or with other organisations.

16 instances of duplicate supplier records were identified via various matching techniques. Action has been taken to remove the duplicate records.

Financial Implications

The Authority pays an annual fee of £1,000 for the National Fraud Initiative to the Cabinet Office.

Human Resource Risk Implications

None.

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

The report does not identify any new risk issues that the Authority needs to address.

Local Government (Access to Information) Act 1985

List of Background Papers

| Paper | Date | Contact |
|--|------|---------|
| None | | |
| Reason for inclusion in Part II, if appropriate: | | |